

World Trade Situation and Policy Updates

Japan Inspection Slowdown Could Impact U.S. Vegetable Sales

Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) has instructed its port inspectors to cut back on the number of daily inspections of imported vegetables, ostensibly for food safety and/or quarantine-related concerns. MAFF indicated that it will set daily ceilings of inspection work to be carried out at seaports and airports. Import quantities in excess of the daily ceiling would be held for inspection the following day. According to the Ministry of Finance, Japan's imports of fresh vegetables in CY 2000 totaled approximately 930,000 tons, a 50-percent increase from the level posted in 1996. While China is by far the leading supplier of Japan's imported vegetables, the United States shipped over \$170 million (nearly 300,000 tons) in vegetables to Japan in CY 2000. Based on the reports to date, only vegetables, not fruits, are subject to the new inspection caps.

Argentina Raises Import Duties for Fruits and Vegetables: According to the Agricultural Counselor's office, on April 10, 2001, the government of Argentina raised import duties for the majority of fresh fruits and vegetables and for processed products. According to reports, the Minister of Economy raised import duties as part of a new economic and fiscal policy to combat the ongoing recession. The increased tariffs, which cover most consumer goods, have been raised to the bound rates of 35 percent in some cases. Import duties in Chapter 7, which covers edible vegetables, were increased to 25 percent. Chapter 8 import duties, on edible fruit and nuts, were increased to 25 percent, except for the duty on almonds, which was not raised. The increases in import duties coincide with the recent opening of the Argentine market to citrus fruit from California and Florida and to stone fruit from California. In CY 2000, U.S. exports of horticultural products to Argentina totaled \$33 million.

Tart Cherry Growers Vote to Amend Marketing Order

Tart cherry growers and processors in Michigan, New York, Pennsylvania, Oregon, Utah, Washington, and Wisconsin voted to make two amendments to their marketing order program. One amendment clarifies the current limitation on the number of Cherry Industry Administrative Board members that may be affiliated with a single "sales constituency" by changing the definition of that term. The other amendment simplifies the method used to establish volume regulations for tart cherries. Some 375 tart cherry producers, or about 42 percent of the producers eligible to vote, cast ballots.

USDA Proposes Plan to Assist Potato Growers

USDA is proposing to pay russet potato growers up to \$10.25 million to divert a portion of their year 2000 crop for charitable food institutions, livestock feed, and ethanol production. Increased harvested acreage and record yields in 2000 combined to push russet potato production past 500 million hundredweight for the first time in history, causing grower prices to plummet. The National Agricultural Statistics Service

reported the March 2001 season-average grower price for all uses at \$5.62 per hundredweight down 10 percent from the March 2000 average of \$6.26 and the lowest March grower price since the 1997 crop year. Record potato crops in Canada and Europe have compounded the domestic market problem, limiting U.S. sales in Canada, Europe, and Asia. Payments for diverting 2000 crop russet potatoes are targeted at \$1.00 per hundredweight. Potatoes offered for diversion must meet specific minimum U.S. Grade standards and must be inspected and certified by federal or federal-state inspectors.

United States and European Union Resolve Banana Dispute

The U.S. Government and the European Commission reached an agreement to resolve their long-standing dispute over bananas. The agreement provides for a transition to a tariff-only system by 2006. During the transition, bananas will be imported into the European Union through import licenses distributed on the basis of past trade. In the past, two European Union banana regimes were challenged successfully in the World Trade Organization, prompting U.S. retaliation against EU products. From July 1, 2001, the United States will suspend the sanctions imposed against EU imports since 1999. The European Commission will adjust the quantities in the various quotas, in order to expand access for Latin American bananas.

U.S. Desert Grape Growers File Anti-dumping Petition against Mexico and Chile

On March 30, 2001, the Desert Grape Grower League (producer members) filed an anti-dumping petition against imported grapes from Chile and Mexico. This group collectively represents the industry producing spring table grapes. The list of petitioners comprises 18 growers with concerns about late season imported product overlapping with the marketing of U.S. early season grapes. In this case, the industry is seeking to define itself based on seasonality (i.e., the 2nd quarter of the calendar year). U.S. imports of grapes from Chile in CY 2000 totaled 359,678 tons (\$388 million), up from the previous year's total of 274,935 tons (\$305 million). During the April 1 through June 30, 2000 period, imports from Chile were 59,604 tons, up nearly 72 percent from the same period the previous year. U.S. imports of Mexican grapes in 2000 totaled 90,749 tons (\$143 million), compared to the 1999 total of 87,632 tons (\$211 million). Grape imports from Mexico during the second quarter also showed year-over-year increases with shipments equaling 85,931 tons in 2000, compared to 79,564 tons the previous year. Total shipments of Chilean and Mexican grapes to the United States increased nearly 25 percent from 1999 to 2000.

Thailand Increases Excise Taxes on Alcoholic Beverages, Including Wine

The Royal Thai Government (RTG) has recently increased excise taxes on alcoholic beverages, including wine, to help offset a continuing budget deficit. While the tax increase for wine is 5 percentage points (i.e., 55% to 60%), the total cost of imported wine could rise by an estimated 68 percent due to the automatic triggering of other tax increases (interior tax, value added tax), according to the GAIN report submitted by the U.S. Agricultural Counselor's office. The resulting price increases at the consumer level are expected to further dampen sales prospects in an already depressed market. The U.S. wine industry's

exports to Thailand had appeared poised to regain the ground lost in 1998 as a result of the Asian financial crisis. But any recovery in 1999 was stymied by the RTG's anti-import campaign targeted against a number of products, including wine. The initiatives were aimed at curbing spending of hard currency on imports and essentially wiped out sales of expensive vintages. U.S. wine sales to Thailand peaked in 1996 at \$5 million, before falling to a low of \$0.5 million in 1998. Sales had gradually climbed back to reach \$1 million in 2000.

Israel's Demand For U.S. Walnuts Grows in CY 2000

U.S. exports of walnuts to Israel for CY 2000 totaled \$11.3 million, an increase of 39 percent compared to the same period last year. This was due, in part, to the 1999/2000 record U.S. walnut harvest which totaled 256,734 tons, a 20-percent increase over the previous year's harvest. As a consequence of this record harvest, world prices for walnuts were low and the quality of the product remained very high. Israel prefers to import the top quality type walnut which is used mainly for snack foods and products of that nature. To date, Israel is the sixth largest market for U.S. walnuts. If Israel's demand continues to increase at such a fast pace, experts believe that it will soon become the United States' fourth-largest market for walnuts, surpassing both Canada and Italy which are currently the fourth- and fifth-largest market, respectively.

Anti-Dumping Petition Filed Against Canadian Hothouse Tomatoes

On March 28, several U.S. tomato producing firms joined in filing an anti-dumping petition against Canadian hothouse tomatoes. According to Census Bureau data, U.S. exports of tomatoes to Canada in CY 2000 totaled 144,950 tons (\$121 million), up from the previous year's total of 137,445 tons (\$104 million). U.S. imports of Canadian tomatoes in that same year reached 101,390 tons (\$161 million), compared to 1999's total of 79,554 tons (\$120 million). According to the Census data, shipments of Canadian hothouse tomatoes to the United States increased over 230 percent from 1999 to 2000, and now account for roughly half of the total volume of Canadian tomato shipments to United States in CY 2000. By comparison, hothouse tomatoes accounted for just 18 percent of the Canadian volume in 1999.